

Message Text

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PAGE 01 STATE 075507
ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 EB-08 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 INRE-00 SSO-00 USIE-00 /052 R

DRAFTED BY TREAS: PBRADLEY
APPROVED BY EUR:R.E.BARBOUR
TREAS:S.CROSS
EB/OMA:CERVIN
TREAS:IMM:D.E.SYVRUD
EB/OMA:CERVIN

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FM SECSTATE WASHDC
TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 075507

E.O. 11652: GDS

AGS: PFIN, EAID, PO

SUBJECT: IMF/PORTUGUESE NEGOTIATIONS

REF: (A) LISBON 2082 (B) STATE 70955 (C) LISBON 1861

1. WE AGREE WITH EMBASSY THAT EARLY INDICATION OF U.S.
INTENTION TO DISBURSE FIRST TRANCHE WOULD WEAKEN IMF
MISSION'S NEGOTIATING POSITION.

2. DISBURSEMENT WILL BE MADE IN STRICT ACCORDANCE WITH
PROCEDURES OUTLINED IN SECTION 3.1 OF THE LOAN AGREEMENT,
I.E., AFTER AID RECEIVES A LETTER FROM IMF MANAGING DIRECTOR
WITTEVEEN INDICATING THAT NEGOTIATIONS ARE PROCEEDING IN
GOOD FAITH. PURSUANT TO THE TERMS OF THE LOAN AGREEMENT
PORTUGAL AS "THE BORROWER" MUST FURNISH AID THE LETTER FROM
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THE IMF MANAGING DIRECTOR. TREASURY WILL NOT, REPEAT NOT,
BE REQUESTING THE LETTER FROM THE IMF, AS INDICATED IN
REFTEL (B). WE WOULD NOT EXPECT A LETTER FROM THE MANAGING
DIRECTOR UNTIL THE FUND MISSION HAS HAD OPPORTUNITY TO
ASSESS THE GOP'S PROGRAM.

3. WITH RESPECT TO COMMENT IN PARA 3 OF REFTL (C), IT

WOULD NOT, REPEAT NOT, BE APPROPRIATE FOR U.S. EMBASSY TO BE
IN CONTACT WITH IMF MISSION DURING NEGOTIATIONS WITH
PORTUGAL. ANY CONTACT BETWEEN THE U.S. AND THE IMF DURING
THAT TIME MUST BE MADE THROUGH APPROPRIATE CHANNELS
I.E., U.S. EXECUTIVE DIRECTOR. VANCE

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NNN

Message Attributes

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